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MATERIALS HANDLING
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Beverage Industry

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AUGUST 13, 1982

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WASHINGTON DC 20014

BI Packages of the Week

Coke expands low-cal market with diet Coke

By Paul Mullins
Editor

NEW YORK—Diet Coke, introduced here recently, will roll-out first in the metropolitan area, then be introduced into seven additional markets shortly.

If all goes as anticipated it will become a national soft drink in 1983 with some key international markets also opening up that year.

By the end of 1983, it could have sales of around 200 million cases, accounting for 3% of total sales. **Beverage Industry's** estimate, assumes that the product will reach at least industry norms in all its markets.

Coke executives are betting that the product can have even more resounding results.

Described as "the most significant beverage marketing activity of the Coca-Cola Co. in the '80's," Brian Dyson,

(Continued on page 16)

BI Week

• New York Coke expected to be final winner in suitor-filled quest for Associated Coke's Northern franchises: Syracuse and Albany. Key Philadelphia market still being negotiated. Spectrum Group said to be in forefront in bidding for this franchise.

• O-I starting production of new mechanical-seal plastic closure (under H-C In-

(Continued on page 31)

Pepsi free targets decaf regular, diet segments

By Holly Klokis
Managing Editor

PURCHASE, NY—Despite the hullabaloo it raised several months ago over 7UP's controversial no-caffeine ad campaign, Pepsi has apparently decided that the caffeine-free consumer represents a large enough market share to pursue.

Pepsi free and sugar free Pepsi free (99% caffeine free and 100% caffeine free, respectively) have recently hit store shelves in eight test markets across the U.S. The new product introduction, announced in early July, was in development for two years

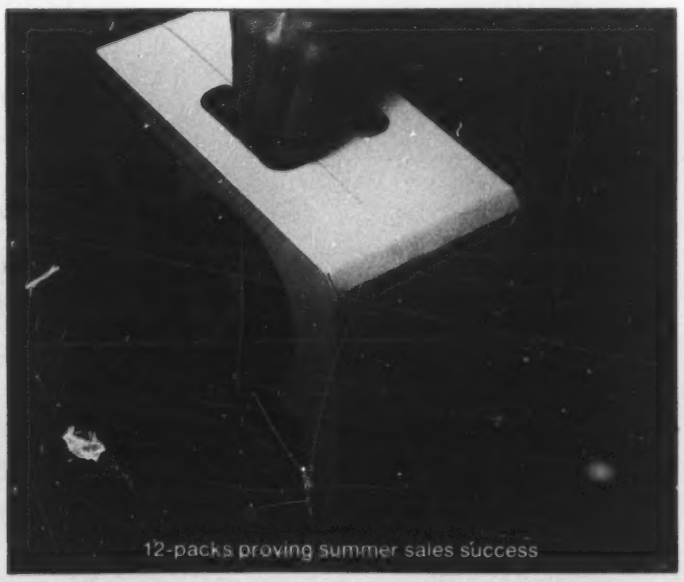
(Continued on page 19)

Congress hears case for beer 'interbrand' law

WASHINGTON, DC — Beer wholesalers recently pled their case for ensuring the legality of exclusive territorial agreements with brewers as called for under the Malt Beverage Interbrand Competition Act.

Sponsor William Proxmire (D-WI) explained that S. 1215 would clarify the 21st amendment by validating state laws that permit or require a three-tier territorial distribution system for malt beverages provided substantial and effective interbrand competition exists within designated geographic areas. The measure "would not change the current prohibitions against price-fixing, horizontal restraints of trade, and group boycotts, if such arrange-

(Continued on page 6)



12-packs proving summer sales success

Hottest package of '82

Proliferating 12-packs revitalizing can sales

SPECIAL REPORT—A package which has been around for years—12 pack cans—is breathing new life into declining can sales and having far reaching implications in today's marketplace.

The development came about as the result of incentive programs from package suppliers, aluminum companies and major franchisors. Just two of the immediate effects:

• Can sales are showing increases of between 10% and 40% in many markets.

• Nationally, can sales may be up as much as 5% for the entire year, reversing a trend that started two years ago.

For the bottlers, the "new package," underwritten in part by incentives from suppliers, is giving them a promotional package right in line with the times and, more im-

(Continued on page 5)

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Contents

Pepsi, Coke brands are introduced

Almost simultaneously, Coca-Cola and PepsiCo surprised the industry by introducing new products. Coke came out with diet Coke, a low-cal drink, the first new product to share the flagship brand name. Diet Coke will be aimed at that 65% or so of the population, especially males, that don't currently drink low-cal soft drinks.

Meanwhile, PepsiCo brought out Pepsi free (99% caffeine-free) and sugar free Pepsi free (100% caffeine-free). Supposedly, the company feels the potential market for no-caffeine soft drinks is big enough to pursue in earnest. Pepsi will test these brands in eight markets, following extensive home-use testing. See stories on **page 1.**

12-pack boosts can, bottler sales

The hottest new package in the beverage business is actually not a new package at all. The 12-pack for cans has been boosting can sales this summer and is having a profound effect on the industry as a whole. Can sales are up an estimated 5% in this country for the year, reversing a two year national trend. If you want to find out more about what this "new package" is doing for bottlers across the country, see **page 1.**

Wine sales, imports rise in U.S. for '81

Sales for the wine industry in 1981 rose by 5.8% from 1980. Per capita consumption for the year was 2.4 gallons, and once again imported wines grew faster than the domestics. For more important facts and figures about the U.S. wine market, turn to **page 4.**

New packages challenge handling

Innovations in packaging materials and sizes have put the materials handling industry in a catch-up situation. The advent of such packages as 2-L, .5L and aseptic packaging have manufacturers looking for ways to move packages more quicky and efficiently. For more insight, see **page 10.**

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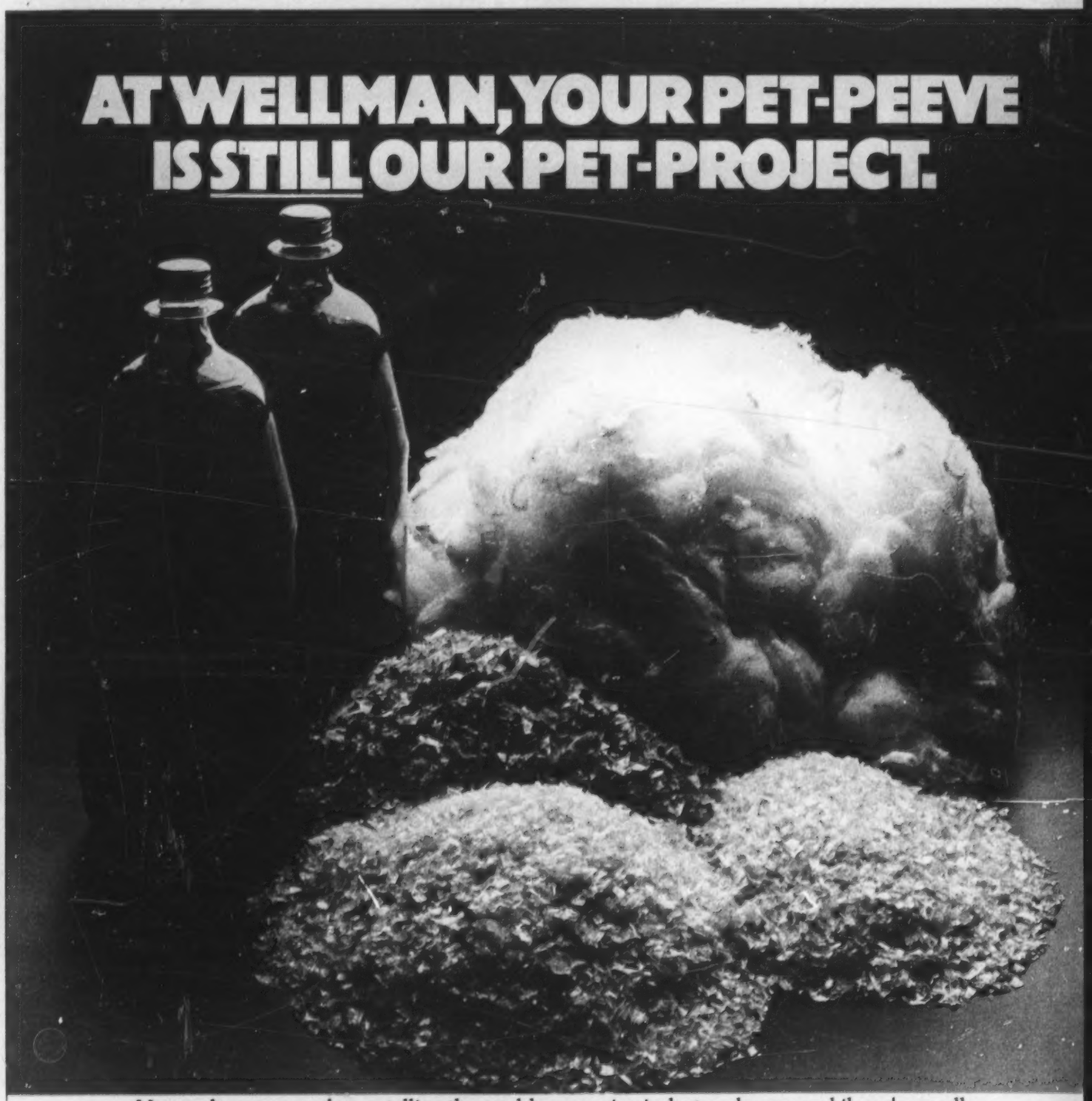

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AUGUST 13, 1982

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

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New carrier graphics give Michelob facelift

ST LOUIS, MO—New secondary packaging graphics for Michelob and Michelob Light have been introduced, a spokesman for Anheuser-Busch announced.

Designed by Sidjakove, Berman and Gomez Design Communication, San Francisco, CA. Michelob's new graphics have been applied to the six-pack carrier, master carton, half-case and 12/12 can package.

Food safety to be studied by ILSI

WASHINGTON, DC—The International Life Sciences Institute (ILSI), an industry consortium with soft drink manufacturer support, plans to establish a committee to carry on the scientific efforts of the now defunct Food Safety Council.

The six year old council with government, industry and consumer representatives, had explored methods for determining the safety of our food supply. ILSI hopes to pick up where it left off by forming a technical food safety committee to "look at the appropriate testing procedures and translate data into quantitative and qualitative human risks," said Dr. Howard Roberts, National Soft Drink Association vice president for science and technology.

Dr. Roberts explained that the new committee will examine the types of experiments to be conducted, the number of animals and the species which should be used in certain tests, how to do pathology studies, and then perform human risk assessments.

"The committee will focus on scientific, rather than policy issues," he added, "and will explore generic problem areas instead of specific food ingredients." Committee participants are expected to be selected at a September 1 meeting.

Wine Institute elects officers for 1982-83

SAN FRANCISCO—Officers and directors for 1982-83 were elected here at the 48th annual meeting of the Wine Institute, trade association of California's wine growers.

Newly elected are: M. S. Nury, Fresno, chairman of the board of directors; Richard L. Maher, St. Helena, first vice chairman; Rene Biane, Guasti, second vice chairman; Morris Katz, Saratoga, third vice chairman; Jack Davies, treasurer; and John P. McClelland, secretary.

John A. DeLuca remains as president.

U.S. wine sales up 5.8%

SPECIAL REPORT — U.S. wine industry sales rose 5.8% to just under 542 million gallons last year versus 1980. Total shipments lifted annual per capita consumption to 2.4 gallons in 1981, according to figures compiled by John C. Maxwell, **Beverage Industry** director of research/statistics.

As had been the case during the past few years, said Maxwell, imported wines outpaced the domestics' growth; imports grew 11.8% to 114 million gallons, while domestic wines were up 4.3% to 427.7 million gallons.

Imports currently represent over a fifth of U.S. wine sales. Last year Italian wines again increased their share of U.S. imports, to 58.1%, and their sales grew 12.8% to 66.3 million gallons. French wines were able to rebound in 1981 from the prior year's depressed level. French wine sales rose by over 4 million gallons, '80 to '81, to 17.5 million gallons; sales drop-

(Continued on page 13)

Estimated sales and market shares in the domestic wine market
(mil. gallons)

Rank 1980	Rank 1981		1980 Amount	1980 % Total	1981 Amount	1981 % Total	1980-81 Change
1	1	E&J Gallo	119.3	23.3	128.2	23.7	7.4 %
2	2	United Vintners	51.9	10.1	49.8	9.2	(3.9)
3	3	Almaden	31.7	6.2	30.1	5.6	(5.0)
4	4	Wine Spectrum	22.2	4.3	27.1	5.0	22.1
5	5	Franzia Bros.	18.2	3.6	22.9	4.3	26.2
6	6	Paul Masson	16.3	3.2	16.5	3.1	1.5
9	7	Canandaigua	13.6	2.7	15.3	2.8	12.5
8	8	Guild	12.3	2.4	13.2	2.5	7.5
7	9	Monarch	12.4	2.4	12.6	2.3	1.6
10	10	Sebastiani	10.0	2.0	8.5	1.6	(14.5)
12	11	Gibson	4.5	0.9	4.6	0.8	3.7
11	12	C. Mondavi	5.0	1.0	4.5	0.8	(10.0)
11	13	Christian Bros.	5.0	1.0	4.1	0.8	(17.1)
14	14	Beringer	3.3	0.6	4.0	0.7	21.5
11	15	Mogen David	5.0	1.0	3.5	0.6	(30.0)
15	15	Lamont	3.2	0.6	3.5	0.6	9.8
13	16	Bronco	3.4	0.7	3.2	0.6	(5.6)
16	17	Giumarra	2.2	0.4	2.3	0.4	3.3
17	18	Delicato	2.0	0.4	1.9	0.4	(6.3)
18	19	Wente	1.7	0.3	1.6	0.3	(2.3)
19	19	Weibel	1.6	0.3	1.6	0.3	0.6
20	20	East-Side	1.4	0.3	1.3	0.2	(6.9)
20	20	Sonoma	1.4	0.3	1.3	0.2	(3.9)
22	21	California Growers	1.2	0.2	1.2	0.2	(6.4)
24	21	F. Korbel	0.9	0.2	1.2	0.2	26.0
21	22	Robert Mondavi	1.3	0.3	0.9	0.2	(32.2)
23	22	Brookside	1.0	0.2	0.9	0.2	(6.1)
2	23	Mirassou	0.8	0.2	0.8	0.1	(2.6)
22	24	Perelli-Minetti	1.2	0.2	0.7	0.1	(38.5)
26	24	Louis Martini	0.7	0.1	0.7	0.1	(5.4)
27	25	San Martin	0.6	0.1	0.6	0.1	(2.6)
28	26	M&H	0.3	—	0.4	0.1	23.5
29	27	Pacific Land & Viticulture*	0.2	—	0.2	—	(16.7)
		Filice	—	—	—	—	—
		Souverain Cellars	NA	NA	NA	—	—
		Subtotal	353.2	69.0	369.2	68.1	4.5
		Other Domestic	54.3	10.6	58.5	10.8	2.8
		Total Domestic	410.1	80.1	427.7	78.9	4.3
		Imports	102.1	19.9	114.2	21.1	11.9
		Total	512.2	100.0%	541.9	100.0%	5.8 %

NA = Not Available
*Formerly Concannon

Source: Lehman Brothers Kuhn Loeb Research

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Wine imports: countries of origin

(000 gallons)

	1980		1981		Change
	Amount	Pct.	Amount	Pct.	1981-80
Italy	58,762	57.6%	66,287	58.1%	12.8%
France	13,115	12.8	17,526	15.4	33.6
Germany	11,653	11.4	13,263	11.6	13.8
Spain	7,312	7.2	7,341	6.4	0.4
Portugal	5,578	5.5	5,486	4.8	(1.6)
Subtotal	96,420	94.5%	109,903	96.3%	14.0%
Others	5,656	5.5	4,267	3.7	(24.6)
Total Imports	102,076	100.0%	114,170	100.0%	11.8%

Source: Commerce Department

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Wine sales

(Continued from page 4)

ped 2 million gallons '79 to '80.

Maxwell says the French brands were priced high in earlier years, which, he says, caused an erosion of share and a decrease in volume. In the past year or so, however, French wines have been heavily promoted. This, coupled with the strong dollar vis-a-vis the French franc, served to boost U.S. demand for French wine, by 33.6%.

The modest growth in Spanish wines (0.4%) indicates the declining popularity of Yago Sangria, which represents most of the Spanish wine sold in the U.S.

In 1981, white wines continued to dominate the U.S. market, cannibalizing the market shares of reds and roses. White wines' share was up to about 60% from 55% in 1980. On the other hand, reds dropped from 25% in '80 to 22% last year, and roses were down to 18% from 20%.

The reasons for the increase in white wines' popularity remain unchanged, according to Maxwell. White wine is a "versatile and refreshing drink; and the U.S. is a young wine consuming nation and white wines are an easier beginning to wine enjoyment."

The most important new trend in the industry, Maxwell says, is the introduction of light wines. He says that though there is a niche in the industry for light wines, the potential is not as great as with the light beer and diet soda markets. His reasons are: "wines are already perceived as low in calories; and wines are viewed as a classical beverage and light wines may not measure up to that image."

So, Maxwell says he expects light wines to capture between 5% and 10% of the industry over the next few years.

To make light wines, vintners typically pick grapes sooner, when their sugar levels are lower. The Wine Spectrum (Taylor California Cellars) says it has found varieties of grapes that can be picked full-ripe at their flavor peak, yet contain low sugar.

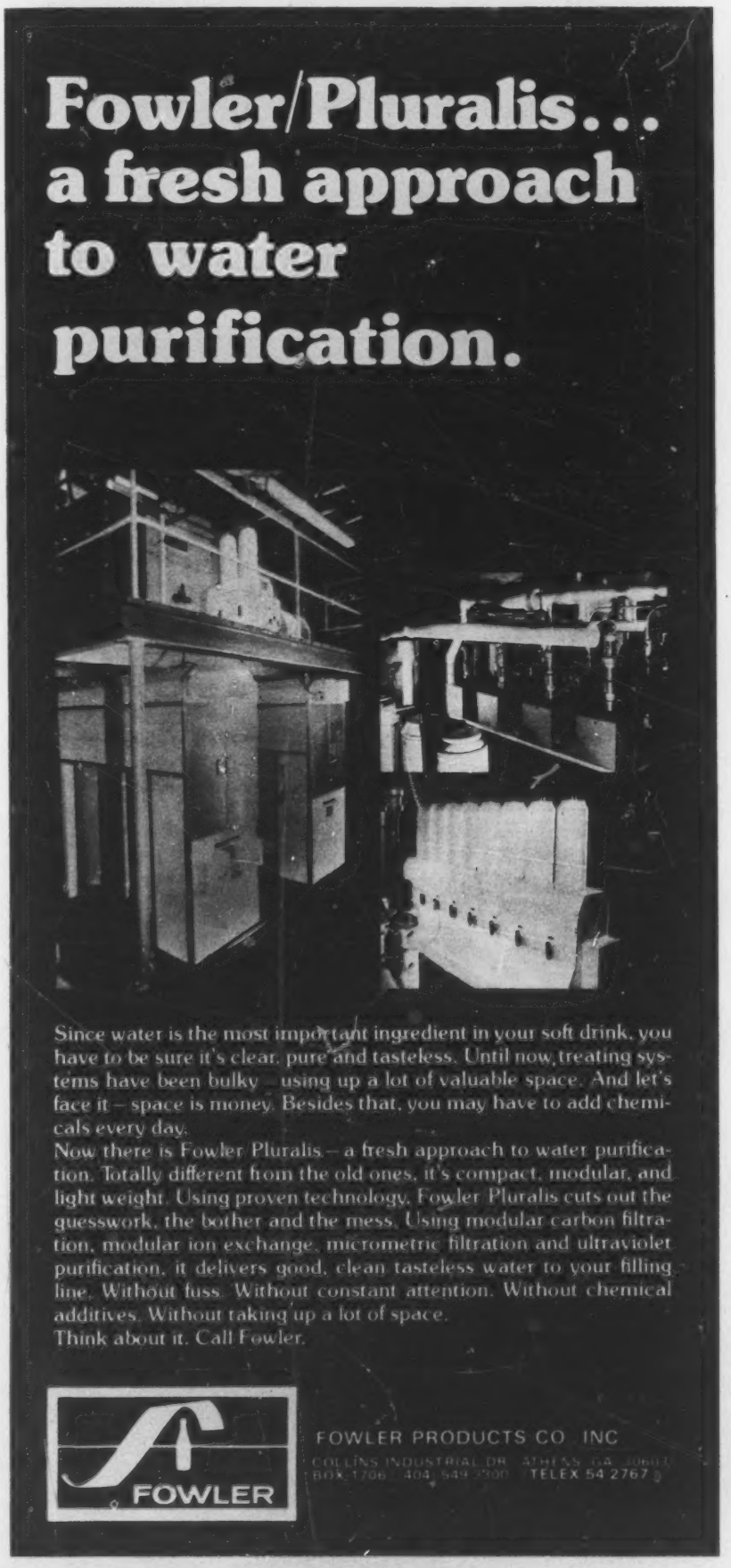
Another process for making light wines, said to be used exclusively by The Wine Spectrum at this time, is called vacuum-evaporation. Grapes are fermented to their regular wine alcohol level (12%) then the wine is heated to 110 degrees as it crosses a flash pan evaporator in a vacuum. The vintner can control the amount of alcohol evaporation, reducing it to say 8%.

Taylor California Cellars Light Chablis is a blend of low sugar grapes and the vacuum-evaporation technique.

On the domestic wine sales front, E&J Gallo retained its no. 1 position , followed by United Vintners, Almaden, Wine Spectrum and Franzia Brothers, in that order, according to Maxwell's figures. Although Gallo was up 7.4%, '80 to '81, with 128 million gallons, United Vintners and Almaden were down 3.9% and 5% respectively.

The largest percentage gains were Franzia Brothers' increase of 26.2% to about 23 million gallons, and F. Korbel's 26%, to 1.2 million gallons. The only change in position within the top 10 sellers was between Canandaigua and Monarch, which changed positions: Canandaigua went from no. 9 to no. 7; Monarch did the reverse.

In 1981, according to Maxwell's data, the export of U.S. wine grew tremendously; more than 40%. Total exports represented slightly more than 1% of domestic output in 1980, and jumped to 2.2% last year. On the basis of these figures, Maxwell suggests that the quality of U.S. wines is recognized abroad.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